

## FAIRFAX COUNTY, VIRGINIA

### MEMORANDUM

**TO:** Board of Supervisors

**DATE:** March 29, 2004

**FROM:** Anthony H. Griffin  
County Executive

**SUBJECT:** Federal/State Mandate Initiative

In previous years, there have been studies conducted and questions posed, at the request of the Board, to provide a snapshot of federal/state mandates and their impact on the County. In order to initiate an ongoing program that will monitor County spending for mandates each year and provide an expenditure context for federal and state legislative requirements, the Department of Management and Budget initiated a program at the end of 2003 to serve as the foundation for analysis and comment on what mandates the County is complying with and how much it is costing the County. Agencies will be asked to update this information annually as part of the normal budget cycle, beginning with the development of the FY 2006 budget.

For purposes of this report, the FY 2004 Adopted Budget Plan was used as the basis for the numbers, and agencies were asked to provide data and related information on what mandates they are required to comply with, and if there is any offsetting revenue. The User Fee/Other revenue data element is intended to capture non-federal/state funding received in support of particular functions, primarily in the form of charges and fees.

According to information provided by all agencies and funds, the FY 2004 total program expenditure level impacted by federal and state mandates is \$1.1 billion. The County receives Federal/State/User Fee/Other revenue of \$507 million, which offsets the expenditures for a net cost to the County for federal/state mandates of \$546 million or 52 percent. In addition, agencies noted that \$3.1 million in program expenditures are in excess of the level required to comply with the minimum mandates in certain areas.

It should be noted that the results of the 1995 Mandate Study indicated the net cost to the County for federal/state mandates was 46 percent and that the County was spending \$20.2 million in excess of minimum mandated requirements. The most recent findings indicate that revenue has not kept pace with expenditures required to meet existing and new mandates, and that recent County budget reductions have forced agencies to scale back the implementation of mandated programs to basic, minimum requirements. It is interesting to note that User Fee/Other revenue provides more relief to mandated expenditures than does Federal/State revenue and only 26 percent of the General Fund expenditures are covered by total revenue, which is down 7 percentage points from 1995.

The following charts illustrate the general findings of the collected data.

	FY 2004 Estimated Total Expenditures for Mandates	FY 2004 Projected Federal/State Revenue for Mandates	FY 2004 Projected User Fee /Other Revenue for Mandates	FY 2004 Total Net Cost of Mandates	Percent of Total Mandated Expenditures Covered by Total Revenue
General Fund	\$606,672,536	\$109,327,912	\$48,895,248	\$448,449,376	26%
General Fund Supported	\$237,886,847	\$69,724,478	\$76,515,724	\$91,646,645	61%
Other Funds	\$208,366,067	\$54,966,831	\$147,196,382	\$6,202,854	97%
Total	\$1,052,925,450	\$234,019,221	\$272,607,354	\$546,298,875	48%

As shown, the County receives Federal/State revenue of \$234 million and User Fee/Other revenue of \$273 million related to mandates, which is used to offset FY 2004 mandated expenditures.

Of the estimated \$273 million User Fee/Other revenue, almost half is collected in Other Fund activities such as cable, solid waste and sewer fees. The remaining revenue comes from the Metrobus/Metrorail system and E-911, court, and DPWES fees. FY 2004 estimated Federal/State revenue of \$234 million is primarily received for public safety and human service activities.

	FY 2004 Estimated Total Expenditures	FY 2004 Estimated Expenditures to Comply with Minimum Mandates	Excess Over Minimum Mandated FY 2004 Expenditures
General Fund	\$606,672,536	\$603,674,198	\$2,998,338
General Fund Supported	\$237,886,847	\$237,886,847	\$0
Other Funds	\$208,366,067	\$208,312,776	\$53,291
Total	\$1,052,925,450	\$1,049,873,821	\$3,051,629

As identified in the chart above, County agencies and funds estimate that \$3.1 million in program expenditures are in excess of the level required to comply with the minimum of some mandated programs. Of the excess, 85 percent or \$2,518,920, is attributable to expenditures in the environmental health section of the Human Services area. The County has adopted local ordinances that are more restrictive than the state for providing effective and quality services in areas such as on-site sewage disposal and swimming pool inspections. The remaining funding in excess of the level required is primarily due to a more frequent review of the Comprehensive Plan than prescribed by the state and additional services provided in the Employee Assistance

Program (EAP). The minimum interval between Comprehensive Plan reviews is stated as five years; the County reviews a portion of the Plan annually to meet that mandate. In addition, the County performs a review of the Transportation section annually at an additional cost to the County of \$234,528. The County does provide mandated services under the Employee Assistance Program including a drug awareness program, and assessment and evaluation of employees who test positive under the County's drug/alcohol testing program as required under the Omnibus Transportation Act of 1991. However an additional \$244,890 is provided for non-mandated services such as EAP assessment, intervention, short term counseling and referral. This funding is used to assist managers in identifying and addressing performance conduct problems early before they adversely impact performance and productivity. Supervisory referrals to EAP save significant County dollars in averted productivity loss. While difficult to measure, professional publications indicated that \$5 is saved for every \$1 spent on EAP service and given the high cost of medical care, use of EAP services can minimize the need for more expensive treatment by addressing the problems through short-term EAP counseling.

The mandates that County agencies and funds are required to comply with are fairly stable and do not change often, however there is, on occasion, a new mandate introduced at the federal or state level that requires local compliance. In the last few years agencies have identified these mandates and initiated the services required to ensure compliance. One of the more recent unfunded mandates is the Commonwealth's Identify Fraud statute that was enacted in 2000. This law states that if the fraud victim resides in Fairfax County then the County Police Department has jurisdiction over the case and is responsible for the investigation. Only a few years old, yet dealing with an increasingly complicated crime, this ruling has caused a significant increase in the caseload for the County's financial crimes detectives. In FY 2004, the Police Department has had to redirect over \$500,000 from other critical needs to support this unfunded mandate. This minimal level of redirected support does not include dedicated staff, and results in a two to three-week wait for an initial response by a detective. Another recent piece of legislation that the County is required to comply with is the Health Insurance Portability and Accountability Act (HIPAA), enacted to protect the privacy of individually identifiable health information. The HIPAA legislation required significant changes in the way County employee and customer health information is held, accessed and protected. HIPAA compliance for electronic transmission standards was required by October 2002; compliance with privacy and disclosure regulations was required by April 2003. This relatively new mandate is projected to cost the County \$884,758 in compliance requirements. This value may increase in subsequent years if the HIPAA is modified or challenged in court.

In addition to specific agency mandates, most all agencies comply with countywide mandates at varying levels. For example, all agencies provide accommodation for the Americans with Disabilities Act (ADA) however given the nature of the service, some agencies are only required to provide a TTY number for additional information, and other agencies that hold public meetings require hearing impaired translation. More costly is the infrastructure improvements necessary to comply with the physical requirements of ADA. In sum, total County ADA spending is projected to be \$1,855,367 in FY 2004. Another countywide mandate, the Freedom of Information Act (FOIA), is expected to cost the County \$268,857 as a result of managing information and providing responses to requests for information.

Further details of the information provided by agencies and funds can be found on “Attachment A - FY 2004 Federal and State Mandates, Detail by Agency”. This attachment reflects information for each of the data elements, as provided by agencies and funds, and is based on the FY 2004 Adopted Budget Plan. In addition, please note for expenditure data that many capital construction funds do not receive annual funding, but rather carry over prior year funding to sustain their activities. Many of their efforts in FY 2004 are directed at supporting mandated requirements, however previous year funding is not included in Attachment A, as the FY 2004 Adopted Budget Plan was used as the basis for reporting financial data.

cc: Edward L. Long, Jr., Chief Financial Officer  
Verdia L. Haywood, Deputy County Executive  
Robert A. Stalzer, Deputy County Executive  
David J. Molchany, Chief Information Officer  
Susan W. Datta, Director, Department of Management and Budget